



WEEKLY ECONOMIC DIGEST

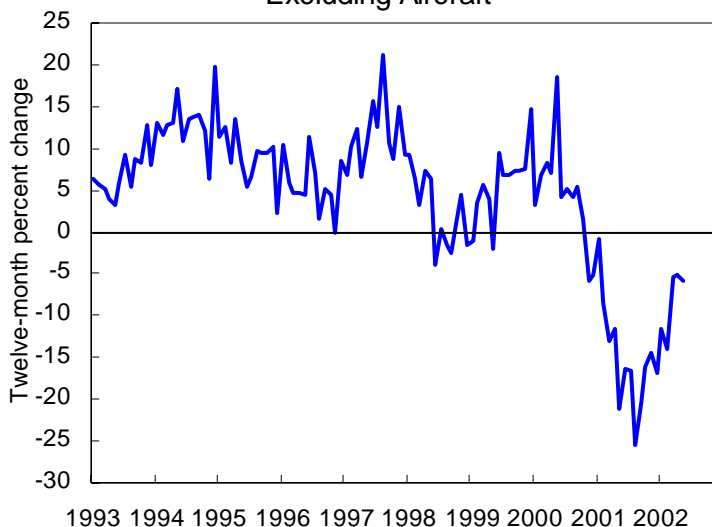


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

July 30, 2002

Mixed Economic News Underscores Risks to the Outlook

New Orders for Nondefense Capital Goods
Excluding Aircraft



Source: Census Bureau, U.S. Department of Commerce.

- **New orders for capital goods fell unexpectedly in June.** After two months of growth, new orders for nondefense capital goods excluding aircraft dropped by 5.2 percent last month. Most analysts had expected that leading indicator of business equipment spending to increase slightly. The decline left new orders 5.9 percent lower than they were in June 2001.

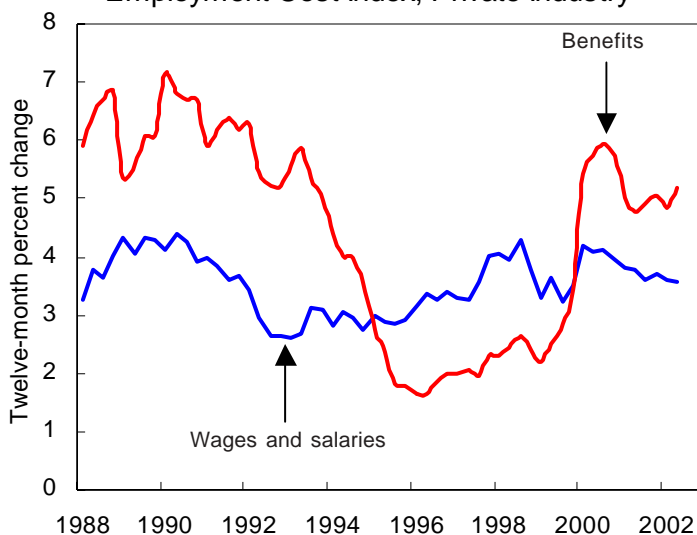
- **Shipments of capital goods were down in June.** Shipments of nondefense capital goods fell by 2 percent last month, according to preliminary estimates released by the Commerce Department. That decline, the largest since last September, led many forecasters to mark down further their estimates of the economy's overall growth in the second quarter.

- **Home buying remained strong in June.** Sales of new single-family homes rose 0.5 percent last month and were more than 12 percent higher than sales a year earlier. Sales of existing homes weakened by nearly 12 percent last month, but that decline came off the record high level reached earlier in the year.

- **New jobless claims fell in recent weeks.** Initial claims for unemployment insurance fell by 21,000 in the week ending July 20. Most analysts had expected no change. The four-week moving average of initial claims fell to 384,500, its lowest level since March of last year. Although jobless claims remain high, the declines in recent weeks have encouraged hope that labor market conditions may be firming.

- **Employment costs picked up slightly in the second quarter.** The employment cost index for private industry workers was 4.0 percent higher in June than it was a year earlier. Benefits rose 5.1 percent in the past 12 months, continuing to outpace wages and salaries, which rose 3.6 percent.

Employment Cost Index, Private Industry



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Economy At A Glance	Jun	May	Apr	Mar	2002 Qtr 2	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001	2000
Economic Activity										
Real GDP (% growth)*						6.1	1.7	-1.3	1.2	4.1
Industrial Production (% growth)	10.0	4.9	2.4	3.7	4.6	2.6	-6.7	-4.7	-3.9	4.5
Capacity Utilization (Level, %)	76.1	75.6	75.3	75.2	75.7	75.0	74.7	76.2	76.8	81.8
Civilian Unemployment Rate (Level, %)*	5.9	5.8	6.0	5.7	5.9	5.6	5.6	4.8	4.8	4.0
Housing Starts (Thousands)	1672	1735	1566	1675	1658	1725	1573	1603	1603	1573
Real Disposable Personal Income* (% growth)		4.2	-1.4	2.6		13.9	-8.1	12.3	3.6	3.5
Retail Sales (% growth)	13.6	-12.3	14.9	-1.1	3.7	-2.4	12.9	-1.2	3.8	6.7
Personal Saving Rate (Level, %)*		3.1	2.8	3.1		2.9	0.4	3.8	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	1.2	0.0	6.2	3.7	3.4	1.4	-0.3	0.7	2.8	3.4
Core CPI-U Inflation (% growth)	1.2	2.4	3.7	1.2	2.2	2.3	2.7	2.7	2.7	2.4
Compensation per Hour (% growth)					4.5	3.6	4.1	3.6	4.1	4.5
Output per Hour (% growth)						8.4	5.5	1.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.7	1.8	1.7	1.7	1.9	3.2	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.9	5.2	5.2	5.3	5.1	5.1	4.8	5.0	5.0	6.0
Federal Funds Rate (Level, %)	1.8	1.8	1.8	1.7	1.8	1.7	2.1	3.5	3.9	6.2
Dow Jones Industrial Avg (Index Level)	9492	10080	10165	10501	9913	10105	9641	9934	10189	10735

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Upcoming Economic Releases:

- **Gross Domestic Product, Second Quarter (Advance)** [Release: Wednesday, July 31, 2002]
- **The Employment Situation, July** [Release: Friday, August 2, 2002]
- **Personal Income and Outlays, June** [Release: Friday, August 2, 2002]